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TO ALL AMERICAN REPUBLIC DIPLOMATIC POSTS IMMEDIATE

USCINCSO FOR POLAD

XMT AMEMBASSY QUITO

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FOLLOWING QUITO 1775 SENT STATE 16 MAR RPT TO YOU QTE

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DEPARTMENT PLEASE PASS ALL AMERICAN REPUBLIC DIPLOMATIC POSTS

E.O. 11652: N/A

TALS: EGEN, EC, IA-ECOSOC

SUBJ: IA-ECOSOC 9TH ANNUAL MEETING, QUITO: SITREP FOUR

REF: QUITO 1741

1. MORNING SESSION FRIDAY, MARCH 15, OF GENERAL COMMITTEE COMPLETED WORK ON VARIOUS INSTITUTIONAL ITEMS AND APPROVED, WITH MINOR AMENDMENTS, DRAFT IA-ECOSOC REPORT TO OAS/GA. ARGENTINE CONCEPT OF INTER-AMERICAN SYSTEM AS OPEN AND NOT EXCLUSIVE WAS INCLUDED BUT ARGENTINE ALT REP BECKMAN ASSURED HENDERSON PRIVATELY THAT THIS AIMED AGAINST BLOC FORMATION IN TRADE FIELD AND NOT INTENDED RAISE QUESTION READMISSION CUBA INTO OAS. MOST INSTITUTIONAL MATTERS WERE HANDLED PERFUNCTORILY WITH LITTLE ELABORATION ON WORKING GROUP'S ACHIEVEMENTS. ON ISSUE OF SCCN CONSULTATION PROCEDURES, RESOLUTION APPROVED TO REFER DRAFT PROPOSALS TO CIAP FOR STUDY WHICH WOULD THEN TRANSMIT RECOMMENDATIONS TO SCCN.

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2. WHEN DRAFT RESOLUTION SETTING OUT PRIORITIES FOR SCCN ACTIVITIES WAS DEBATED, PERU PROPOSED THAT WITH REGARD TO FINANCING, SCCN SHOULD FOCUS ATTENTION NOT ONLY ON CAPITAL MARKETS IN THE U.S. AND OTHER DC'S BUT ALSO ON TREATMENT OF FOREIGN PRIVATE INVESTMENT BY LATIN AMERICAN COUNTRIES, AND OFFERED NEW PARAGRAPH TO THIS EFFECT. BRAZIL (MACIEL) CRITICIZED DRAFT AS REPETITIVE OF REM 1/70, AND THEREFORE SUPERFLOUS, AND WITH RESPECT CAPITAL MARKETS ITEM, HE FOUND U.S. OFFER UNNECESSARY AND PERUVIAN PROPOSAL CONTRARY TO PRINCIPLE OF REM 1/70. ALTHOUGH HE DID NOT SPELL OUT PRINCIPLE, IT CLEAR THAT HE VIEWS REM 1/70 AS DIRECTED EXCLUSIVELY TO LATIN DEMANDS. ORIGINAL SUPPORT FOR PERUVIAN PROPOSAL ERODED UNTIL PERUVIAN CHAIR TAKEN OVER BY JOSE DE LA PUNTE, FOREIGN MINISTRY UNDER SECRETARY FOR ECONOMIC AFFAIRS, WHO STATED THAT PRIVATE FOREIGN INVESTMENT WAS INEXTRICABLY LINKED WITH EXTERNAL FINANCING; THAT SCCN SHOULD NOT BE INFLEXIBLE; THAT IF THE U.S. WAS WILLING TO HAVE CONSULTATIONS ON ITS CAPITAL MARKETS, THE LATINS SHOULD ALSO BE WILLING TO DISCUSS TREATMENT OF FOREIGN INVESTMENT BY LATIN AMERICAN COUNTRIES; FINALLY, HE REQUESTED THAT THE ISSUE BE PUT TO A VOTE. THE PROPOSAL CARRIED BY VOTE OF TEN TO FIVE WITH TWO ABSTENTIONS; BRAZIL, MEXICO, ECUADOR, COLOMBIA AND BOLIVIA VOTED AGAINST.

3. COORDINATING COMMITTEE MET FRIDAY AFTERNOON, MARCH 15, TO CONSIDER BRIEF DRAFT REPORT ON RELATION OF TLATELOLCO TO IA-ECOSOC FOR INCLUSION IN IA-ECOSOC'S REPORT TO GENERAL ASSEMBLY. REPORT TOOK NOTICE OF IMPORTANCE OF MEETING OF FOREIGN MINISTERS IN MEXICO CITY AS OPENING THE WAY FOR A NEW AND CONSTRUCTIVE DIALOGUE BETWEEN THE U.S. AND LATIN AMERICA WHICH COULD GIVE VIGOR, DIRECTION AND RELEVANCE TO THE WORK OF IA-ECOSOC. REPORT NOTED THAT ASSISTANT SECRETARY KUBISCH'S INFORMAL REMARKS HAD BEEN ESPECIALLY HELPFUL, AND EXPRESSED HOPE THAT FRANK AND OPEN DIALOGUE AS MADE POSSIBLE BY CLOSED SESSIONS OF HEADS OF DELEGATION MEETING AS COORDINATING COMMITTEE COULD, IF FOLLOWED AT FUTURE MEETINGS, GREATLY FACILITATE THE WORK OF THE COUNCIL. PERUVIAN AND PANAMANIAN DELEGATES MADE GENERALLY HELPFUL SUGGESTIONS. PERUVIAN DE LA PUENTE WAS ESPECIALLY ELOQUENT, EMPHASIZING THE IMPORTANCE OF THIS TURNING POINT IN U.S.-LATIN AMERICAN RELATIONS. BRAZILIAN DELEGATE PRAISED BREVITY OF REPORT AS LIMITED OFFICIAL USE

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"ONE OF BETTER DOCUMENTS" HE HAD SEEN ISSUING FROM OAS MEETINGS.

4. GENERAL COMMITTEE THEN RECONVENED TO PERMIT FORMAL STATEMENTS FOR RECORD. CHILEAN MINISTER OF ECONOMY, FERNANDO LENIZ, WHO HAD JUST ARRIVED FROM ATTENDANCE AT PRESIDENTIAL INAUGURATION IN VENEZUELA, MADE BRIEF STATEMENT PRAISING "SPIRIT OF TLATELOLCO" AND HIS INJECTION INTO FORMERLY CONTENTIOUS IA-ECOSOC FORUM. HE PRAISED THE US DEL, ESPECIALLY ASSISTANT SECRETARY

KUBISCH, FOR THE SINCERITY AND HONESTY OF HIS RESPONSES. FROM DECLARATION OF TLATELOLCO, LENIZ SINGLED OUT TECHNOLOGY ISSUE, SUGGESTING A WORKING GROUP MAKE A REPORT IN A SHORT TIME FRAME. HE SUGGESTED THE ESTABLISHMENT OF RESEARCH CENTERS IN LATIN AMERICA EITHER BY GOVERNMENT ENTITIES, UNIVERSITIES, AND/OR U.S. PRIVATE COMPANIES, PRINCIPALLY USING AND TRAINING LOCAL PERSONNEL. HE SUGGESTED THAT "SPECIAL INITIATIVES" COULD BE PROVIDED FOR COMPANIES THAT ESTABLISH OR PARTICIPATE IN RESEARCH CENTERS OUTSIDE OF THEIR HOME COUNTRY.

5. MEXICAN DEL BETETA THEN READ FORMAL STATEMENT IN GERNERAL COMMITTEE EXPRESSING OPTIMISM THAT STATEMENTS OF SECRETARY KISSINGER IN MEXICO RECONFIRMED BY STATEMENTS OF ASSISTANT SECRETARY KUBISCH AND U.S. DEL AT QUITO, MARKED A FUNDAMENTAL CHANGE IN U.S. POLICY TOWARDS LATIN AMERICA THAT "...RENEWED HOPE OF THE POSSIBILITY OF AN AUTHENTIC COOPERATION WITHIN THE HEMISPHERE." BETETA REAFFIRMED GOM SUPPORT OF IA-ECOSOC AS BEST INSTITUTION TO UNDERTAKE PRACTICAL MECHANISMS TO IMPLEMENT EFFECTIVE COOPERATION. HE ALSO REFERRED TO MEXICAN SPONSORSHIP OF CHARTER OF RIGHTS AND DUTIES, WHICH WAS ENDORSED IN DECLARATION OF TLATELOLCO. BETETA'S SPEECH CONTAINED EXTENSIVE REFERENCES TO DOMESTIC MEXICAN ECONOMIC SITUATION, INCLUDING CHANGE OF EMPHASIS OF ECONOMIC POLICY TO PROMOTE SOCIAL JUSTICE BY FAVORING RURAL AREAS. HE CALLED ON IA-ECOSOC TO HELP STRENGTHEN THE IDB SO THAT IT WILL HAVE SUFFICIENT "SOFT" FUNDS TO MEET SOCIAL DEVELOPMENT NEEDS OF THE REGION.
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